

Close Portfolio Funds

Monthly fund manager update

SEPTEMBER 2020



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MONTH IN REVIEW

The Close Portfolio Funds all delivered negative returns in September following the strong positive returns recorded in August. The Conservative fund declined -1.20%, Balanced -1.59%, and Growth -1.89%. All three funds underperformed their relevant IA Sectors which unusually delivered fairly uniform returns across the board, falling -0.42%, -0.39% and -0.37% respectively. It is noteworthy that the lowest risk peer group, the IA 20-60% Shares, fell more heavily than the IA 40-85% Shares, which in turn fell marginally more than the IA Flexible Investment sector. All three funds remain ahead of their respective IA Sectors year-to-date (YTD).

THOUGHTS IN SEPTEMBER

Following a strong rally which began in the spring and extended into the summer, we began to take some risk off the table, as noted in previous monthly updates. After such a quick rebound from the Covid-19 induced market falls, volatility reduced a little, but it still felt to us as though markets were likely to face a potential 'speed bump' or two on the way to a fuller recovery. Simply put, there were too many significant events on the horizon for which the outcome was and remains uncertain. A second wave of the virus begun to sweep through a number of countries following the relaxation of lockdown restrictions; various Brexit deadlines loom between now and the end of the year; and the US Presidential Election is due on the 3rd November.

The good news is that each of these uncertainties should come to some form of resolution in the not too distant future, and once they do we still believe that valuations remain broadly supportive. There should be a Covid-19 vaccine at some stage next year (although this is by no means guaranteed and there is no telling exactly when it might be declared ready and distributed in sufficient quantities); Brexit will come to some form of conclusion by the end of the year (even if it only proves to be the end of the current stage of the

process); and the US Presidential Election should be resolved in early November (assuming the result is decisive / unchallenged by one party or the other). Therefore, while we pass over this autumn 'speed bump', we are waiting patiently for opportunities to deploy the 11%-12% cash weighting currently held in each fund.

OUTLOOK

September ultimately proved to be a relatively uneventful month as far as markets were concerned. All major asset classes drifted lower or moved very little. We continue to remain patient (in keeping with the regularly noted theme of the year), as markets currently lack momentum and are drifting into the autumn blues, but we feel safe in the knowledge that we have more than adequate firepower available to use in the form of an elevated cash weighting.

For the reasons mentioned, October and November should prove to be important and interesting months. Furthermore, as many companies will report their Q3 earnings in October, and potentially give more guidance in terms of their outlook, investors should gain greater insight into how companies (and the economy more generally) are coping with and recovering from the Covid-19 shock. If all goes well, this could help bring some further cheer to markets and move us towards a point where we would be more comfortable adding risk to the funds.

We remain confident that selective opportunities exist in all asset classes, particularly in Developed Market equities, while we also believe that Chinese equities could potentially be of interest too. The Chinese economy and companies managed to mount a respectable rebound and risks to growth appear to have subsided steadily. However, as always, we need to stay patient and take the opportunities as and when they present themselves.

CLOSE PORTFOLIO FUNDS DISCRETE PERFORMANCE AS AT 30 SEPTEMBER 2020

	YTD	2019	2018	2017	2016	2015
Close Conservative Portfolio Fund	-0.6%	12.5%	-2.7%	9.0%	5.4%	2.0%
IA 20-60	-2.9%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Balanced Portfolio Fund	-2.3%	17.1%	-2.9%	11.8%	6.3%	2.9%
IA 40-85	-2.5%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close Growth Portfolio Fund	0.1%	21.9%	-3.4%	12.5%	6.8%	2.9%
IA Flexible Investment	-1.8%	15.7%	-6.7%	11.2%	13.8%	2.0%

SOURCE :

FE Analytics 02.10.2020; 2020 (YTD) data as at 30.09.2020; fund performance is total return net of fees with dividends reinvested for X Acc share class.

IMPORTANT INFORMATION

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